

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name ALCONA PARK	County ALCONA
Audit Date	Opinion Date 05/26/2004	Date Accountant Report Submitted to State: 08/16/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

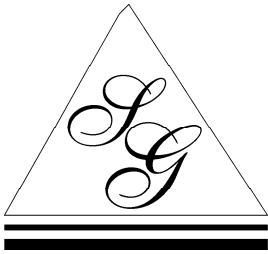
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.			
Street Address 325 NEWMAN STREET, PO BOX 592	City EAST TAWAS	State MI	ZIP 48730
Accountant Signature 		Digitally signed by Stephenson, Gracik and Co., P.C. DN: cn=Stephenson, Gracik and Co., P.C., c=US Date: 2004.08.12 09:28:29 -0500 Reason: I am approving this document	



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ALCONA PARK
TOWNSHIP OF CURTIS
ALCONA COUNTY, MICHIGAN

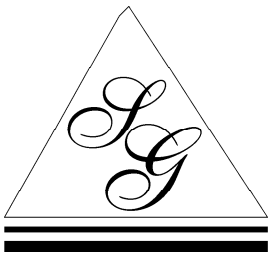
AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2003

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AUDITORS' REPORT

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May 26, 2004

Independent Auditors' Report

Board of Commissioners
Alcona Park
Alcona County, Michigan

We have audited the accompanying financial statements of Alcona Park, Alcona County, Michigan, as of and for the year ended December 31, 2003, as listed in the index. These financial statements are the responsibility of the Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the financial statements referred to in the first paragraph do not include property, plant and equipment acquired prior to January 1, 1995 and the related accumulated depreciation and depreciation expense. These amounts should be included to conform with accounting principles generally accepted in the United States of America. The amounts that should be recorded are not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Alcona Park, Alcona County, Michigan, as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2004, on our consideration of the Alcona Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stephenson, Gracik & Co., P.C.

ALCONA PARK
TOWNSHIP OF CURTIS
Alcona County, Michigan

BALANCE SHEET
December 31, 2003

ASSETS

Current Assets

Cash (Note 3)	\$ 97,163
Certificates of deposit (Note 3)	50,000
Total current assets	<u>147,163</u>

Property, Plant and Equipment - At Cost (Note 4)

Land improvements	125,266
Building and improvements	401,196
Machinery and equipment	<u>101,035</u>
	627,497
Less allowance for depreciation	<u>(180,390)</u>
	<u>447,107</u>

Total Assets	\$ <u><u>594,270</u></u>
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LIABILITIES AND RETAINED EARNINGS

Current Liabilities

Deferred revenue (Note 5)	\$ 14,070
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Retained Earnings

Unreserved	<u>580,200</u>
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Total Liabilities and Retained Earnings	\$ <u><u>594,270</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

ALCONA PARK
TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES
IN RETAINED EARNINGS
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<u>Operating Revenue</u>			
Camping fees	\$ 318,000	\$ 353,905	\$ 35,905
Shower fees	5,000	7,821	2,821
Store sales	33,400	35,977	2,577
Miscellaneous	0	2,693	2,693
Total operating revenue	<u>356,400</u>	<u>400,396</u>	<u>43,996</u>
<u>Operating Expenses</u>			
Salaries, wages and social security	177,500	155,874	21,626
Administration	600	600	0
Fringe benefits	45,214	45,102	112
Printing and advertising	3,294	2,890	404
Office supplies	9,737	7,148	2,589
Store supplies	24,483	21,833	2,650
Small tools	1,500	872	628
Janitorial supplies	4,000	3,335	665
Contracted services	2,500	0	2,500
Telephone	2,500	1,956	544
Fuel and oil	9,000	7,730	1,270
Miscellaneous	832	779	53
Insurance and bonds	9,301	9,301	0
Utilities	23,000	18,097	4,903
Repairs and maintenance	37,300	32,037	5,263
Property taxes	5,339	5,339	0
Dust control	4,000	3,113	887
Uniforms	1,500	1,210	290
Rent	2,400	2,400	0
Depreciation	0	40,574	(40,574)
Total operating expenses	<u>364,000</u>	<u>360,190</u>	<u>3,810</u>
Operating income (loss)	(7,600)	40,206	47,806
<u>Non-Operating Revenue</u>			
Interest earned	<u>3,600</u>	<u>1,799</u>	<u>(1,801)</u>
Net income (loss)	(4,000)	42,005	46,005
Retained earnings - beginning of year	<u>538,195</u>	<u>538,195</u>	<u>0</u>
Retained earnings - end of year	<u>\$ 534,195</u>	<u>\$ 580,200</u>	<u>\$ 46,005</u>

The accompanying notes to financial statements are an integral part of this statement.

ALCONA PARK
TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

Cash Flows From Operating Activities

Cash received from customers	\$ 397,166
Cash paid to suppliers and employees	(319,616)
Interest received	<u>1,227</u>
Net cash provided by operating activities (Note 7)	<u>78,777</u>

Cash Flows From Capital and Related Financing Activities

Acquisition and construction of capital assets	<u>(86,661)</u>
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Cash Flows From Investing Activities

Interest on investments	<u>572</u>
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Net decrease in cash and cash equivalents (Note 1)	(7,312)
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Cash and cash equivalents at beginning of year (Note 1)	<u>104,475</u>
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Cash and cash equivalents at end of year (Note 1)	<u><u>\$ 97,163</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

ALCONA PARK
TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Fund Type

The Alcona Park operates as an enterprise fund and is shown as a blended component unit in the Township of Curtis' general purpose financial statements. The financial statements of the Alcona Park are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Park applies all relevant Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, that apply to all proprietary fund type activities, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. Basis of Accounting

The Alcona Park utilizes the accrual basis of accounting. Under this method, revenues are recorded when received in cash, except for those susceptible to accrual, which are recorded as receivables when measurable. Expenditures are recorded when the liability is incurred.

C. Inventories

Inventory items are recorded as expenditures at the time of purchase.

D. Fixed Assets

Fixed assets are stated on the basis of cost. Building improvements, land improvements, and equipment are depreciated over their estimated useful lives utilizing the straight-line method.

Expenditures for maintenance, repairs and renewals are charged to operations as incurred and betterments are capitalized. The Alcona Park eliminates the cost and related allowances from the accounts for properties sold or retired and resulting gains or losses there from are included in operations concurrently. Also, see Note 2.

E. Statement of Cash Flows

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

F. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

ALCONA PARK
TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 2 - INCOMPLETE FUND

The Alcona Park did not maintain records for property, plant and equipment acquired prior to January 1, 1995 and the related accumulated depreciation and depreciation expense. Therefore, these balances have not been included in the financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

The captions on the financial statements for the deposit accounts are as follows:

	<u>Deposits</u>
Cash	\$ 97,163
Certificates of deposit	50,000
Less: petty cash included in cash	<u>(450)</u>
Total deposits	<u>\$ 146,713</u>

Deposits:

Deposits are carried at cost. Deposits of the Alcona Park are held at various banks in the name of the Alcona Park. At December 31, 2003 the carrying amounts of the Park's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	<u>\$ 146,713</u>	<u>\$ 146,182</u>

Investments:

The Park Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Park to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which matures not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Park's deposits are in accordance with statutory authority.

ALCONA PARK
TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 4 - CHANGES IN FIXED ASSETS

A summary of changes in property, plant and equipment follows:

	Balance 1/1/03	Additions	Deletions	Balance 12/31/03
Land improvements	\$ 113,089	\$ 12,177	\$ 0	\$ 125,266
Building and improvements	329,537	71,659	0	401,196
Machinery and equipment	<u>98,210</u>	<u>2,825</u>	<u>0</u>	<u>101,035</u>
	540,836	86,661	0	627,497
Less accumulated depreciation	<u>139,816</u>	<u>40,574</u>	<u>0</u>	<u>180,390</u>
Net property, plant and equipment	<u>\$ 401,020</u>	<u>\$ 46,087</u>	<u>\$ 0</u>	<u>\$ 447,107</u>

The Alcona Park's fixed assets are stated at cost. Depreciation is calculated using straight line basis at rates ranging from 5% to 20% per year. The estimated useful lives are as follows:

Land improvements	20 years
Building and improvements	20 years
Machinery and equipment	5 years

NOTE 5 - DEFERRED REVENUE

Deferred revenue represents prepaid camping fees to be recognized in the following fiscal year.

NOTE 6 - RISK MANAGEMENT

The Alcona Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Alcona Park continues to carry commercial insurance for risks of loss, including employee health insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 7 - RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 40,206
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	40,574
Interest earned on cash accounts	1,227
Changes in assets and liabilities:	
Decrease in deferred revenue	<u>(3,230)</u>
Net cash provided by operating activities	<u>\$ 78,777</u>

ALCONA PARK
TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 8 - SEGMENT INFORMATION

For the year ended December 31, 2003, segment information not included in the financial statements is as follows:

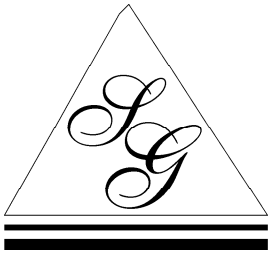
Net working capital \$ 133,093

NOTE 9 - OPERATING LEASE

On May 1, 1997, the Alcona Park entered into a lease agreement with Consumers Energy for the rental of the tract of land that includes camping areas on both sides of the AuSable River on Alcona Pond. The lease is for a period of 15 years at an amount of \$2,400 per year, based on expenses lessor expects to incur in administering the terms of the lease. In addition, Alcona Park shall pay all taxes, assessments and other public charges levied on the leased premises during each year that the lease is in effect. The annual amount shall be revised in 2007 and each fifth year thereafter during the term of the lease, based on projected data for the year of the revision.

NOTE 10 - NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Park is required to implement this standard for the fiscal year ending December 31, 2004. The Park has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.



Stephenson Gracik & Co., P.C.

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May 26, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Alcona Park
Alcona County, Michigan

We have audited the financial statements of the Alcona Park as of and for the year ended December 31, 2003, and have issued our report thereon dated May 26, 2004. In our report dated May 26, 2004, our opinion was qualified because the financial statements do not include property, plant and equipment acquired prior to January 1, 1995, and the related accumulated depreciation and depreciation expense. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

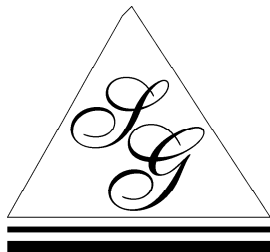
As part of obtaining reasonable assurance about whether the Alcona Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Alcona Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Alcona Park in a separate letter dated May 26, 2004.

This report is intended solely for the information and use of management, the Park Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Gracik & Co., P.C.



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May 26, 2004

Members of the Board of Commissioners
Alcona Park
Alcona County, Michigan

Dear Board Members:

We have audited the financial statements of the Alcona Park for the year ended December 31, 2003, and have issued our report thereon dated May 26, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated February 18, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the Alcona Park's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Alcona Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Alcona Park are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Alcona Park during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Alcona Park's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Alcona Park, either individually or in the aggregate, indicate matters that could have a significant effect on the Alcona Park's financial reporting process.

Members of the Board of Commissioners
Alcona Park
May 26, 2004
Page Two

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Alcona Park's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Additional Information

As a result of our study and evaluation of the internal controls as described in the third paragraph, certain matters came to our attention upon which we would like to comment and offer the following recommendations.

Enterprise Fund Fixed Assets

We recommend the Alcona Park compile an inventory of fixed assets acquired or constructed prior to January 1, 1995 that are still in existence at the Park, so that these assets can be incorporated into the balances being carried on the financial statements in the future.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of Alcona Park.

This information is intended solely for the use of management, Board of Commissioners and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grunh & Co., P.C.